NORTH DAKOTA PETROLEUM COUNCIL
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Senate Bill 2065

Testimony of Brady Pelton

Senate Energy and Natural Resources Committee

January 8, 2021

Chairman Kreun and members of the Senate Energy and Natural Resources Committee, my name is Brady Pelton, general counsel and director of government affairs for the North Dakota Petroleum Council. The North Dakota Petroleum Council represents more than 650 companies in all aspects of the oil and gas industry, including oil and gas production, refining, pipeline, transportation, mineral leasing, consulting, legal work, and oilfield service activities in North Dakota. I appear before you today in support of Senate Bill 2065.

Senate Bill 2065 establishes a regulatory structure for the underground storage of natural gas under North Dakota Industrial Commission ("NDIC") authority. Currently, such a legal and regulatory framework is absent, halting development of critical research endeavors and field-testing projects that hold the potential to bring North Dakota's oil and gas economy to the next level.

The North Dakota oil and gas industry has a significant interest in ensuring such a regulatory structure is established quickly for two distinct reasons. First, regulatory parameters provide a path forward for continued research and development of manufactured cavern space techniques used to store large quantities of North Dakota-produced natural gas in underground caverns on a long-term basis. Such techniques allow advancement of innovative value-added energy initiatives within the state that use the stored gas as feedstock.

Secondly, the regulatory framework in this bill allows the NDIC to properly standardize and control temporary underground injection of associated natural gas, providing oil and gas producers another option by

which to avoid flaring. This option is of particular use in instances where a producing unit is considered "stranded" due to geographic challenges in gas gathering pipeline construction. A producer is much more likely to consider and develop stranded areas of the Bakken if the added challenge of meeting gas capture goals may be accomplished by injecting the produced natural gas underground and temporarily storing it until gas gathering infrastructure is in place. Such a gas capture option provides an added opportunity for gas midstream companies to invest beyond the over-$20 billion they have already invested in the state and continue development of the gathering lines and other infrastructure necessary to successfully gather, transport, and process North Dakota's abundant natural gas resource.

Both avenues of underground gas storage described here hold vast potential for the state and its oil and gas industry. The ability to temporarily store natural gas underground further advances the gas capture goals of the state, reduces emissions, and demonstrates a commitment to developing cleaner energy. Such innovations open even greater possibilities of accessing, producing, and adding value to the immense natural resources of the state, and do so in a way that significantly reduces environmental impacts.

We therefore urge a **Do Pass** on Senate Bill 2065. I would be happy to answer any questions.